



November 30, 2015

Eric Sheehan, J.D.
The Commonwealth of Massachusetts
Executive Office of Health and Human Services
Department of Public Health
Bureau of Health Care Safety and Quality
Medical Use of Marijuana Program
99 Chauncy Street
11th Floor
Boston MA 02111

RE: Request for Information

Dear Mr. Sheehan:

Please find the attached responses and exhibits related to the Request for Information sent to Commonwealth Alternative Care.

As the enclosed information is confidential and intellectual property of Commonwealth Alternative Care, Inc., I respectfully request that, to the extent allowed by law, the Department of Public Health keep the enclosed information confidential or redacted, or for internal review purposes only.

If you have any questions, wish to discuss, or need further information, please do not hesitate to contact me at ddelaney@commonwealthaltcare.org or (617) 251-6774.

Kind regards,

A handwritten signature in blue ink that reads "Dan Delaney".

Dan Delaney
CEO
Commonwealth Alternative Care

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Mr. Daniel Delaney
11 Beacon Street
Suite 720
Boston, MA 02108

Department Of Public Health, Medical Use of Marijuana Program
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Question 1:

Please submit copies of the proposed management services agreement, agreement regarding patient-related transactions and any loan documentation associated with the proposed transactions described in your response to Questions C.11 and 15.

Response:

[Attached please find a form of Promissory Note and a form of Security Agreement. CAC anticipates executing documents in a substantially similar form upon closing of a loan transaction between CAC and ACRG.]

Attached please find a proposed Management Agreement which CAC and ACRG anticipate executing upon receipt of a provisional certificate from DPH. This Management Agreement reflects reasonable, fair market compensation to be paid by CAC to ACRG for the services enumerated on Exhibit A. Compensation for such services is reflected on Exhibit B, including reimbursement on a cost-plus 20% basis for contracted services; a fee of 20% on patient transactions; a rate of interest not to exceed 18% on loan financing; and a 5% royalty in connection with CAC's use of ACRG's IP.]

Question 2:

Please submit an independent legal opinion that the proposed management services agreement, royalty agreement and loan described in your response to Question C.11 and 15 are in compliance with the non-profit requirements of 105 CMR 725.100(A)(1) and the Guidance for Registered Marijuana Dispensaries Regarding Non-Profit Compliance.

Response:

[Please see the enclosed letter from Craig J. MacLellan, Esq., POTTER MACLELLAN LLP. dated November 24, 2015.]

Question 3:

Please describe Mr. Delaney's ongoing role, if any, with registered marijuana dispensaries, identifying each in the response, and how CAC intends to assure compliance with 105 CMR 725.100(A)(2).

Response:

[105 CMR 725.100(A)(2) provides as follows: "No executive, member, or any entity owned or controlled by such executive or member, may directly or indirectly control more than three RMDs."

Daniel Delaney serves as CEO and president of the board for CAC. He does not serve as a director, officer or executive of CAC or for any other RMD applicant.

Mr. Delaney is the principal of Delaney Policy Group, a consulting firm providing advocacy and government affairs services to Massachusetts businesses and non-profit clients. In his capacity as principal at DPG, Delaney has represented, among other clients, Patriot Care Corp., an RMD applicant holding a provisional certificate from DPH. **Response is continued on the next page.**

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Question 3, Response continued:

Delaney has no controlling interest in Patriot Care Corp., does not serve as an officer, director or executive in Patriot Care Corp. or any Patriot Care Corp. affiliate, and has no ownership interest in any entity with which Patriot Care Corp. is doing business.

CAC will ensure compliance with 105 CMR 725.100(A)(2) by mandating that its board members and executives, including Delaney, certify in writing that they will agree not to serve as board members or executives of any other non-profit applicant. It will furthermore require that any CAC board member or executive working with other applicants as consultants or otherwise, disclose their role at CAC and include as a written provision of any agreement that both parties are aware of 725.100(A)(2) and that no party intends to violate that section.]

Question 4:

In response to Question D.20, the applicant identifies LivFree Holdings as it's proposed consultant for cultivation management and operations. No Character & Competency form has been submitted for LivFree Holdings. Please submit a Character & Competency for LivFree Holdings.

Response: [Please see the attached Character and Competency Form for LivFree Holdings LLC.]

Question 5:

Also in response to Question D.20, applicant describes The Winmill Group as being involved in multiple registered marijuana dispensaries. Please describe The Winmill Group's ongoing role with Registered marijuana dispensaries, identifying each in the response, and how CAC intends to assure compliance with 105 CMR 725.100(A)(2).

Response:

[105 CMR 725.100(A)(2) provides as follows: "No executive, member, or any entity owned or controlled by such executive or member, may directly or indirectly control more than three RMDs."

Headquartered in Washington DC, The Winmill Group, LLC ("TWG") is a security consulting firm led by Ryan Winmill, a former manager for the U.S. Department of Homeland Security and homeland security specialist for the Massachusetts Executive Office of Public Safety (EOPS). TWG will implement CAC's security plan, designed to prevent diversion, manage security risks, enforce employee best practices and collaborate with local law enforcement.

TWG is CAC's corporate security partner. TWG has no voting rights or operational control within CAC. Neither TWG nor any of its principals or employees serve as a director, officer, executive or member of CAC. Similarly, TWG has no voting rights or operational control within any other RMD applicant or certificate holder. Neither TWG nor any of its principals or employees serve as a director, officer, executive or member of any other RMD applicant or certificate holder.

Response is continued on the next page.

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Question 5, Response continued:

The Winmill Group has consulted with and is supporting the following Massachusetts entities:

Past Work in Massachusetts

- Applicant: Medical Marijuana of Massachusetts Inc.
 - Year: 2014
 - Work: During provisional certificate period, TWG provided security planning, risk assessment, security system procurement
- Applicant: Ermont Inc.
 - Year: 2014- 2015
 - Work: During provisional certificate period, TWG provided security planning, risk assessment, security system procurement

Current Work in Massachusetts

- Applicant: Commonwealth Alternative Care Inc.
 - Year: 2015
 - Work: Application support
- Applicant: Ermont Inc.
 - Year: 2015
 - Work: Application support
- Applicant: Mission Massachusetts Inc.
 - Year: 2015
 - Work: Application support
- Applicant: The Green Harbor Dispensary Inc.
 - Year: 2015
 - Work: Application support]

Question 6:

Also in response to Question D.20, the applicant did not describe the length of experience of the Corporation's entity responsible for the RMD security plan and security operations with providing services for marijuana for medical purposes. Applicant must resubmit a completed response to Question D.20, including that information.

Response:

[CAC's management partner Alternative Care Resource Group LLC (ACRG) intends to subcontract cultivation management and operations services to LivFree Holdings, LLC. LivFree's team carries the experience of establishing and scaling one of the largest medical marijuana operations in the country - LivWell in Denver, CO. LivFree brings 17 years of combined operational experience, along with proven operating procedures, policy manuals and training manuals. The LivFree team has successfully built and operated several large-scale cultivation facilities, producing pharmaceutical-grade medical marijuana products. **Response continued on the next page.**

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Question 6, Response continued:

The LivFree team was responsible for engineering and expanding Colorado's LivWell facility from 30,000 sq. ft. to 130,000 sq. ft. that it operates today. At this facility, LivFree distributes to its 13 dispensaries and conducts wholesaling to affiliate dispensaries. LivFree operators were successful in developing and implementing next generation cultivation and processing systems and procedures to meet LivWell's distribution needs – as well as drive its growth and ability to consistently produce the highest quality medical marijuana products possible.

Leveraging 17 years of combined experience in the industry, LivFree has been operating since June of 2014, providing services for marijuana for medical purposes. LivFree will bring this unsurpassed experience along with modern commercial agricultural best practices and high quality products.

ACRG has contracted security operations for CAC to The Winmill Group, LLC ("TWG") of Washington, DC. TWG brings 40 years of combined security experience: 30 years in military, 25 years in law enforcement, 14 years in homeland security, and 3 years in medical marijuana in 4 other states. TWG is a nationally-recognized expert on establishing best practices for security, including anti-diversion, risk management, employee safety training, local community outreach, and collaborative partnerships with law enforcement. TWG currently supports 10 medical marijuana projects in Nevada, Illinois, and Colorado. TWG's Massachusetts engagements have included support for 4 other RMDs, as per response to Question 5.

TWG's team includes professionals from high-level posts including former executives from the FBI, U.S. DEA, U.S. Dept. of Homeland Security, U.S. Navy, MA State Police, and the Boston Fire Dept. among others. TWG has been providing homeland security/emergency planning consulting services and advice on tactical and strategic planning for state, local and the federal government for the past 8 years. Notable projects: 3 Presidential Inaugurations, G8 Summit, Republican National Convention, Democratic National Convention, and law enforcement intelligence training for New York, Boston, and Washington D.C., among others.

Germane to Massachusetts's non profit regulations, TWG supported the Memorial Institute for the Prevention of Terrorism a 501(c)(3) non-profit organization.]

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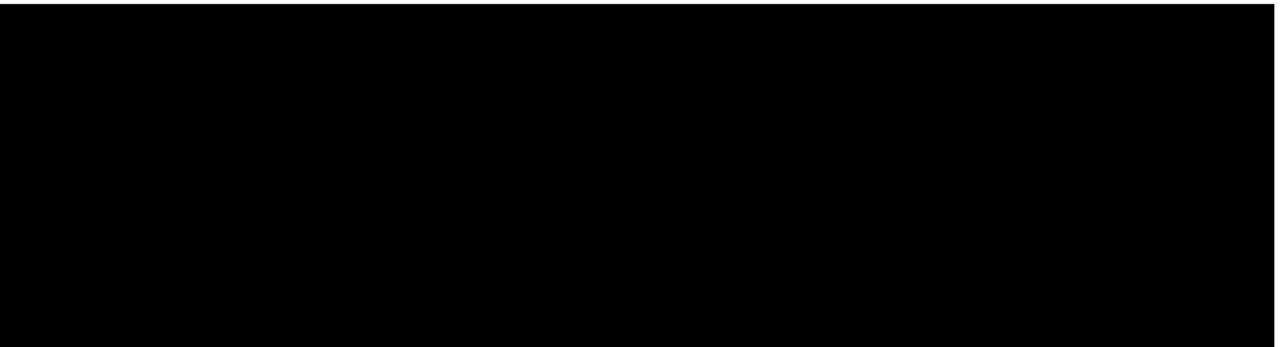
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Question 7:

In the response to Question E.28, the applicant states "[t]he GM and IM will utilize LivFree's forecasting models to ensure that the cumulative inventory of seeds, plants, and usable marijuana products meets or exceeds the projected demand of registered, legally qualified patients." Pursuant to 105 CMR 725.105(G)(1), "[a] RMD must limit its inventory of seeds, plants and usable marijuana to reflect the projected needs of registered qualifying patients." Applicant must resubmit a completed response to Question E.28 that complies with 105 CMR 725.105(G)(1).

Response:

[Revised Answer for Question E28:



Question 8:

In the response to Question E30, the applicant states that information held by it about legally qualified patients, personal caregivers, and dispensary agents is confidential and "[s]uch information is not subject to subpoena or discovery..." Applicant must resubmit a completed response to Question E30 that complies with 105 CMR 725.200(D).

Response:

[Revised Answer for Question E30:

CAC will establish provisions to ensure confidentiality and prevent the disclosure of information about legally qualified patients, designated primary caregivers, and dispensary agents pursuant to 105 CMR 725.200. CAC will diligently safeguard the confidentiality of patients' information related to the medical use of marijuana. Employees will keep all patient information in the strictest confidence, and employees will not use, retain, disseminate, or disclose any such information, except as may be necessary to perform the duties required of an employee of CAC. The patient coordinator will be responsible for patient records management and security. All patient records will be handled in a manner similar to protected medical records. Measures for addressing and reporting any loss or unauthorized alteration of records related to medical marijuana are detailed.

Response continued on the next page.

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Question 8, Response continued:

As provided in 105 CMR 725.200(D), information held by CAC about registered qualifying patients, personal caregivers, and dispensary agents will remain confidential and shall not be disclosed without the written consent of the individual to whom the information applies, or as required under law or pursuant to an order from a court of competent jurisdiction, provided however, the Department may access this information to carry out official duties. Any computerized inventory control system, Electronic Verification System, or point-of-sale system will offer acceptable levels of data protection similar to that required by federal HIPAA rules.]

Question 9:

In the response to Question E.33, the applicant states that information held by it about legally qualified patients, personal caregivers, and dispensary agents is confidential and "[s]uch information is not subject to subpoena or discovery..." Applicant must resubmit a completed response to Question E.33 that complies with 105 CMR 725.200(D).

Response:

[Revised Answer for Question E33:

A record retention policy will be established for: the application; operating procedures; inventory records; QC sample archive data; personnel records; training, staffing plans; dispensing; waste disposal records; compliance and audit reports; security records; and other business records to comply with 105 CMR 725.200. Data will be collected and securely stored off-site using Viridian Sciences SAP based ERP software integrating seed-to-sale tracking, POS systems, accounting and record keeping. All written records will be maintained on-site or archived electronically (following FDA's guidance for Electronic Records, 21 CFR part 11). All information will be available to the Department at all times.

Information held by CAC about registered qualifying patients, personal caregivers, and dispensary agents is confidential and shall not be disclosed without the written consent of the individual to whom the information applies, or as required under law or pursuant to an order from a court of competent jurisdiction, provided however, the Department may access this information to carry out official duties.

All patient records will be handled like protected medical records. No employee shall disclose patient information to any person other than another CAC employee. CAC's patient coordinator is responsible for patient records management and security. CAC will use system data protection similar to HIPAA rules for inventory control, Electronic Verification, and POS.]

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Question 10:

In response to Question E.36, regarding its policies and procedures for the provision of marijuana for medical use to registered qualifying patients with verified financial hardship without charge or at less than the market price, that applicant states that "SSI, Medicaid or documentation of federal or state issued income-based support can be used as proof of low-income status." 105 CMR 725.004 defines "Verified Financial Hardship" to mean "that the individual is a recipient of MassHealth, or Supplemental Security Income, or the individuals income does not exceed 300% of the federal poverty level, adjusted for family size [emphasis added]". Applicant must resubmit a completed response to Question E.36 that complies with the definition of Verified Financial Hardship, including eligibility also based on income, and clarifies that the applicant intends to also accept income documentation as a form of income verification.

Response:

[Revised Answer to Question E36:

CAC's medical marijuana discount program will be available to patients qualifying for MA or federal means-based program. The discount program will allow CAC to support low-income patients with a documented verified financial hardship. CAC will offer patient discounts based on a sliding scale from 10-50% off, depending on a patient's level below 300% of the Federal Poverty Guidelines. In addition, CAC will offer a free gram per week for those with greater financial hardship, as qualified by receiving MassHealth, Supplemental Security Income, or where the patient's individual income does not exceed 300% of the federal poverty level (adjusted for family size). Additional weight/ discounts will be offered to veterans, the terminally ill, and senior citizens. Federal or state issued income-based documentation will be accepted as a form of income verification. On a case-by-case basis, CAC may offer discretionary discounts to patients in need.

Using this criterion does not require our staff to possess, review, or make judgments on the validity of private patient financial information other than to assure qualification as set forth above.

Participation allows patients access to all forms of medical marijuana and does not limit them to a restricted selection of discounted product. Viridian's POS system is utilized to track the program including discount amounts and expiration dates. The program budget and number of awarded patients will grow as CAC grows. CAC's discount program aims to assist as many patients as possible.]

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Question 11:

In response to Question E.36, applicant states that "The program budget and number of patients awarded access to the program will grow as CAC grows. CAC's discount program aims to assist as many patients as possible." Pursuant to 1-5 CMR725.100(A)(6), an "RMD must have a program to provide reduced cost or free marijuana to patients with documented verified financial hardship." The Regulations, 105 CMR 725.000, et seq., do not authorize dispensaries to create limits or caps on compliance with 105 CMR 725.100(A)(6) where patients otherwise meet the definition of Verified Financial Hardship as set forth in 105 CMR 725.004. Applicant must resubmit a completed response to Question E.36 that complies with 105 CMR 725.100(A)(6).

Response:

[Revised Answer to Question E36:

CAC's medical marijuana discount program will provide free or discounted medical marijuana for qualifying patients who meet the criteria for verified financial hardship as defined by 105 CMR 725.004. Documentation of income under 300% of the federal poverty level shall constitute financial qualification. Each patient will complete an application. Upon review and approval by facility manager, discounts will be effective immediately.

Participation will allow patients access to medical marijuana across a range of delivery modes and strains and does not limit them to only combustible cannabis for medical use. Viridian's POS system is utilized to track the program including discount amounts and expiration dates. CAC recognizes providing access to patients with verified financial hardship is part of its mission as a non-profit RMD.]

Question 12:

Applicant's response to Question E.40 is not in compliance with 105 CMR 725.105(Q). Applicant must resubmit a completed response to Question E.40 that is in compliance with 105 CMR 725.105(Q).

Response:

[Revised Answer to Question E40:

CAC will obtain liability insurance in compliance with 725 CMR 105 (Q)(1). Originated by insurance broker FBInsure, the policy will provide coverage limits of \$1 million dollars per occurrence, \$2 million dollars aggregate, and will carry a \$5,000 deductible. The policy will provide coverage for general liability, product liability, and professional/D&O. The underwriter selected to provide coverage will be A.M.Best rated A- or better.

As guided by FBInsure and counsel, CAC will review and adjust such coverages from time to time to meet the needs of the organization and to assure regulatory compliance.]